

ARTICLE REPRINT

# Impact of IFRS on the Lottery and Gaming Industry

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Currently the Public Sector Accounting Board (PSAB) requires Government Business Enterprises (GBEs) as “government entities,” which provincial lottery and gaming corporations are likely to be, to apply the standards of the *CICA Handbook* for profit oriented enterprises.

With the introduction of IFRS by the CICA in the fall of 2007, PSAB considered the different reporting frameworks for GBEs to follow and had concluded, at that time, that GBEs are considered publicly accountable enterprises and would therefore need to apply IFRS commencing in 2011. However, PSAB recently announced that they would revisit this decision as part of a broader *Invitation to Comment on Financial Reporting* for government entities. While their *Invitation to Comment* has not been issued as of January 2009, it would not be unreasonable to conclude that PSAB will likely continue to recommend the application of IFRS for GBEs because of the lack of other available accounting frameworks and their suitability of such other options to GBEs. For example, Private Sector Accounting Standards are not suited to government entities, particularly because they are premised on the fact that users of such statements have the ability to request and receive, from the entity, additional financial information not provided in the financial statements. Likewise, Public Sector Accounting Standards are not currently considered appropriate for GBEs and there is no obvious reason why a different conclusion would be reached on PSAB’s redeliberations.

## What does this mean for the Lottery and Gaming Industry?

In order for lottery and gaming enterprises to adopt IFRS in 2011, enterprises are also required to present their Canadian GAAP 2010 comparative figures as well as an IFRS opening balance sheet at the transition date (i.e., as of April 1, 2010, for a March 31 year end entity). Be sure not to lose sight of the task at hand. Enterprises will need to complete many activities well before the transition date if they are expected to reach the goal of “IFRS – business as usual” in 2011.

Many may view the move to IFRS to be a financial reporting change; however, the move to IFRS can affect all areas of the business, including new systems and processes that will be required to manage the change. At a minimum, it is suggested for enterprises to:

- Start early in assessing the impact of the key differences between IFRS and Canadian GAAP. From those differences, enterprises can develop a sense of the complexities involved and the time necessary to implement
- Obtain support from senior management throughout the conversion process. The two high priority areas are making the initial assessment of the impact of IFRS and discussing the project milestones, timing, and resource requirements
- Establish a dedicated project team and develop a formal project plan.

Some lottery and gaming enterprises are making major strides in planning their transition, while others are lagging behind. Be sure to invest time and effort early, and build momentum, focusing on your end goal of reporting under IFRS by your transition date in 2011 (and do not forget the opening balance sheet and previous year comparatives).

## Top accounting issues

Although Canadian generally accepted accounting principles (Canadian GAAP) are similar to IFRS in certain aspects, many differences exist. These differences can be significant and have enterprise-wide implications. The top accounting issues that are likely to arise when provincial lottery and gaming corporations adopt IFRS are in the following areas:

- Loyalty and promotion programs
- Impairment of assets
- Provisions
- Property, plant, and equipment

Canadian companies are in the fortunate position of being in the “second wave” of the move to IFRS. As a result, we can learn from those countries in Europe and Australia who already made the move to IFRS in 2005. Generally, European companies found that the IFRS conversion was not simply a quick “technical exercise”; however, it did provide executives with opportunities to challenge their processes and how they were viewed and evaluated by key stakeholders. Those who looked at the project more broadly were able to get the most value out of the conversion process. The key is to start early so you give yourself enough time to properly analyze your options.